Claims

[c1] 1.A method for assessing an automotive finance company's equity adequacy comprising:

quantifying the company's sources of creditor protection wherein the sources comprise equity, reserves and net deferred tax liability in the event of an overall loss;

estimating the company's potential unexpected worst-case losses for each of a plurality of exposures with 99.9% confidence; and

comparing the company's creditor protection to the company's potential unexpected worst-case losses to demonstrate the company's equity adequacy.

[c2] 2.The method of claim 1 wherein the sources of creditor protection additionally comprise future tax liability.

[c3] 3.The method of claim 1 wherein the sources of creditor protection additionally comprise lifetime profits.

[c4] 4.The method of claim 1 wherein a simulation model is implemented to estimate the company's potential unexpected worst-case losses for each of a plurality of exposures with 99.9% confidence.

[c5] 5.The method of claim 1 wherein potential unexpected worst-case residual lease exposures are estimated using economic models to factor out historical auction price variations due to seasonality and refreshenings.

[c6] 6.The method of claim 5 wherein it is assumed that every non-defaulting lease vehicle is returned and experiences a worst-case residual loss.

[c7] 7.The method of claim 1 wherein the sources of creditor protection comprises asset classes junior to creditor claims.

[c8] 8.The method of claim 1 additionally comprising applying a risk correlation value to the estimated unexpected worst-case losses to yield a risk-adjusted unexpected loss estimate.